



U.S. Congressman

Dave Obey

May 2004

Wisconsin's 7th District

Update on Wisconsin Farm and Rural Issues

DAIRY PRICES REACH RECORD HIGHS

The Class III cheese milk price reached a record \$19.66 in April, signaling the end of the extended, two-year milk price slump. It appears that supply and demand is in better balance due to a combination of factors. Among those cited by dairy analysts are the fact that the low milk prices of the past two years have been a drag on production. The imbalance has also been attributed to the discovery of Mad Cow disease reducing the availability of replacement animals, disruptions in production of bovine growth hormone, higher feed prices, and the National Milk Producers' Federation plan to remove animals and milk through Cooperatives Working Together program.

Regardless of the reason for the nearly \$8 per hundredweight improvement in Class III prices in just 2

months, dairy farmers know from experience that prices won't stay at this level for too long. That's why I will continue working with others in Congress to establish a better price safety net, close the MPC loophole, extend the Milk Income Loss Contract (MILC) program through to the end of the Farm Bill in September 2007, and take other steps to help family dairy farmers get a decent price for their milk.

Farmers who are enjoying this temporary increase in income will no doubt take note of the fact that, with all their hard work, the price for the gallon of milk they have produced has finally exceeded the price of bottled water. ■

MILK PROTEIN CONCENTRATE

Due to an oversight, the 1994 GATT trade agreement that created the World Trade Organization (WTO) also created a loophole for imports of high-protein dairy products such as Milk Protein Concentrate (MPC) and casein. This milk protein import tariff loophole means these products are unfairly competing with, and displacing, domestic milk production. Since 1994, the use of imported MPC and casein in sports shakes, coffee creamers, bakery products, certain cheese products such as Kraft Singles and other foods has exploded.

That's why I'm the lead sponsor, along with Congressman Sherwood (R-PA) of legislation to close the MPC loophole. That bill, H.R. 1160, now has more than 180 Members of Congress as sponsors. Despite broad bipartisan support, the bill has stalled because of the opposition of dairy manufacturers and their powerful friends in Congress. Specifically, the Ways and Means Committee which has jurisdiction over trade matters has failed to even hold hearings on the bill.

On May 18, the International Trade Commission (ITC) released a report on the impact of MPC and casein

imports into the United States. Although the report is over 400 pages long, the initial analysis seems to confirm the argument we have been making for the last four years, that both farmers and taxpayers are being hurt by the MPC loophole. ■



I met with representatives of the Wisconsin Farmers Union to discuss issues of importance to them including Milk Protein Concentrate imports and the volatility of dairy prices.

DISCOVERY OF MAD COW DISEASE PRESENTS NEW CHALLENGES FOR LIVESTOCK AGRICULTURE

Last December, a cow in Washington State tested positive for Bovine Spongiform Encephalopathy (BSE), or Mad Cow disease. This is the only case of Mad Cow found in the United States, and its appearance in the United States presents serious challenges for all of animal agriculture.

During hearings in February of this year, I told USDA Secretary Veneman that we needed to be more aggressive in our testing if we are to avoid serious problems related to public confidence in our food safety systems down the road. Also, because the disease can be present for years before symptoms appear, we needed to do more than simply test downer cows. Prior to the discovery of the disease, USDA tested just 20,000 downer animals annually, out of a total slaughter population of 35 million.



Questions remain about whether the diseased cow was ambulatory as the slaughterhouse claims or whether it was a downer as reported by the USDA veterinarian who inspected the animal. If the cow is found to be ambulatory it might convince the USDA to broaden their BSE testing beyond downers only. The Office of the Inspector General at USDA is investigating this matter.

In March, Secretary Veneman announced an expanded surveillance system involving testing up to 268,000 high-risk animals and 20,000 healthy, older animals. That's still well short of the level of testing in major European nations and we may need to increase that level of testing still further, but it is an important step in the right direction. ■

COUNTRY OF ORIGIN LABELING – ONE STEP FORWARD; TWO STEPS BACK

One of the few good provisions included in the 2002 Farm Bill was the Country of Origin Labeling (COOL) law. COOL established initially a voluntary program for the labeling of meat, fish, peanuts and fresh fruits and vegetables which, after two years, would become mandatory. The measure has the widespread support of farm organizations, including National Farmers Union and the American Farm Bureau Federation who see it as an opportunity to boost home-grown farm products. Consumer groups also support it as a safety issue.

Unfortunately, the measure has received less than an enthusiastic response from the Bush Administration's Department of Agriculture which, when asked to weigh the costs and benefits of the program, decided that they could not identify a single benefit that country of origin labeling might offer to farmers or consumers. That has come as a bitter blow for many American farmers who believe that American consumers would buy more home-grown product if they knew it was available and help improve competitiveness and profitability for American farmers. Meanwhile, the congressional General Accounting Office analysis in September found USDA's \$1.9 billion estimated first-year costs associated with implementing the rule "questionable and not well supported" and that USDA could not even provide documentation to substantiate some of the inflated costs it was assuming.

Despite its opposition to labeling, in October 2003, USDA released its proposed labeling rules. Bowing to pressure from industry opponents, House leaders and the White House regrettably adopted a provision to the 2004 budget bill for the Department of Agriculture that would prohibit the COOL requirements from going into effect for two years. ■

GOOD NEWS FOR FARMERS AND RURAL RESIDENTS

As the leading Democrat on the House Appropriations Committee, I appreciate being able to work with Senator Herb Kohl, the leading Democrat on the Senate Appropriations Subcommittee on Agriculture, as well as Senator Russ Feingold because it allows us to have a significant impact on matters of importance to Wisconsin farmers. In the 2004 budget, we were able to obtain funds for the following items important to Wisconsin:

- ✓ **CHRONIC WASTING DISEASE:** We secured \$22.8 million in funding for CWD-related research, testing and surveillance activities at two federal agencies. \$1.75 million of this is guaranteed to be returned to Wisconsin this year.
- ✓ **WOLF MANAGEMENT:** Livestock producers, rural residents in northern counties, and increasingly many other counties in Wisconsin, will be the beneficiaries of a \$1.05 million wolf management set-aside in the federal budget for natural resource departments in Wisconsin, Minnesota and Michigan to help state wildlife professionals capture, relocate and in some cases kill problem animals.
- ✓ **DAIRY PROFITABILITY THROUGH GRAZING:** Dairy farmers interested in learning how low-input grazing management techniques help restore profitability to family farmers will benefit from a \$950,000 earmark for the Wisconsin Grazing Initiative. This brings to \$1.75 million the total the program will have received in the past 3 years. The program provides technical assistance to producers interested in converting to managed grazing.
- ✓ **POTATO GROWER PESTICIDE REDUCTION:** For a number of years, the Wisconsin Potato Growers and the University of Wisconsin, with funding through the U.S. Department of Agriculture, have worked to reduce reliance on high-risk pesticides. This year, the budget for USDA includes \$360,000 for the program. This is a big win for farmers, consumers and the environment alike, reducing farmer expenditures while making both our food and our environment healthier.
- ✓ **HELPING DISABLED FARMERS RETURN TO PRODUCTIVE FARMING:** Farmers don't need to be told that theirs is one of the most dangerous occupations. For more than 10 years now, I've been a supporter of the farmers with disabilities program known as AgrAbility which provides direct assistance to more than 1,000 farmers in Wisconsin who have been injured on the job, enabling them to return to work. This year, the budget includes an additional \$4.94 million to help continue this important program.

HELPING WISCONSIN BECOME A LEADER IN LIVESTOCK DISEASE TRACKING

Wisconsinites understand how vital the \$30 billion livestock industry is to the state's economy and how devastating a disease such as Mad Cow or foot-and-mouth could be. That's why Wisconsin is breaking ground with new technologies to ensure that we are prepared to respond quickly and effectively to an animal disease outbreak.

That's also why Senator Kohl and I are working with the Wisconsin Department of Agriculture to ensure that Wisconsin is supported as a leader in developing an effective animal tracking system.

Specifically, the 2004 budget for USDA includes \$1 million for the Wisconsin Livestock Identification Consortium, which is seeking to establish the first-in-the-nation food-source animal identification system. This is the third year of funding for the program and brings to \$2.75 million the amount that the consortium will have received. When fully implemented, the animal ID program will allow for a 48-hour trace-back in the event of a disease outbreak, in order to identify and isolate the source of any contamination and minimize the impact on the rest of the farm economy. ■

Congressman Dave Obey
Wisconsin's 7th District
401 5th Street, Suite 406 A
Wausau, WI 54403
Phone: (715) 842-5606
<http://www.house.gov/obey>

Congress of the United States
House of Representatives
Washington, D.C. 20515
Official Business

Dave Obey
Presorted Standard
ECRWSS



Wisconsin's 7th District

**Postal Patron — Local
7th Congressional District
Wisconsin**



DAIRY PRICES REACH RECORD HIGHS.....	pg. 1
MILK PROTEIN CONCENTRATE UPDATE.....	pg. 1
MAD COW DISEASE PRESENTS NEW CHALLENGES FOR LIVESTOCK.....	pg. 2
COUNTRY OF ORIGIN LABELING – ONE STEP FORWARD; TWO STEPS BACK.....	pg. 2
GOOD NEWS FOR FARMERS AND RURAL RESIDENTS.....	pg. 3
HELPING WISCONSIN BECOME A LEADER IN LIVESTOCK DISEASE TRACKING.....	pg. 3
SO-CALLED AUSTRALIA “FREE TRADE” DEAL MEANS MORE DAIRY IMPORTS.....	pg. 4

AUSTRALIA “FREE TRADE” DEAL MEANS MORE DAIRY IMPORTS

On May 18, the Bush Administration's top official on trade signed a U.S.-Australia Free Trade agreement that fails to close the Milk Protein Concentrate (MPC) and casein tariff loophole.

This agreement was signed even though family dairy farmers are disadvantaged by the failure to close the MPC and casein tariff loophole. In addition, Australia is one of the biggest exporters of MPC to the U.S., responsible for about 10% of our imports. This new trade deal does nothing to close this harmful loophole, created ten years ago due to an oversight by trade negotiators when the GATT agreement was reached. Instead, the new trade agreement will open the door to an additional 55 million pounds of Australian dairy imports. According to some estimates, the increased supply of dairy products will weaken dairy prices, which could cost American dairy farmers more than \$200 million in the first year and more than \$600 million over 10 years.

The new agreement will still have to be voted on by the Congress before it is approved, but the Congress can only vote up or down on the bill and cannot amend it. I will keep you updated on this evolving issue. ■